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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 14, 2001

APPLICATION OF

KINDER MORGAN VIRGINIA LLC

CASE NO. PUE010423

For approval of a certificate of public convenience and necessity pursuant to Va. Code § 56-265.2, an exemption from Chapter 10 of Title 56, and interim approval to make financial commitments and undertake preliminary construction work

ORDER FOR NOTICE AND HEARING

On July 26, 2001, Kinder Morgan Virginia LLC ("Kinder Morgan Virginia" or the "Applicant"),¹ filed an application requesting that the State Corporation Commission (the "Commission") grant to the Applicant a certificate of public convenience and necessity pursuant to § 56-265.2 of the Code of Virginia (the "Code") to construct an approximately 560 MW natural gas-fired electrical generation plant on approximately 50 acres in the midst of a 1,273 acre tract located off State Route 603 in Brunswick County, Virginia (the "Facility"). Pursuant to § 56-265.2 B of the Code, Kinder Morgan Virginia

¹ The Applicant states that Kinder Morgan Virginia is a limited liability company wholly-owned by Kinder Morgan Power Company, which designs, develops, and operates generation facilities as an independent power producer, and which in turn is a subsidiary of Kinder Morgan, Inc., one of the largest midstream energy companies in the United States.

seeks an exemption from the provisions of Chapter 10 of Title 56 (§ 56-232 et seq.) ("Chapter 10"). Kinder Morgan Virginia also requests that the Commission grant interim approval, pursuant to § 56-234.3 of the Code, to the Applicant to make financial expenditures and undertake preliminary construction work.

Kinder Morgan Virginia states that the Facility will typically operate 16 hours per day, up to six days a week to provide intermediate load power and smaller amounts of base load power and peak load power. The electricity will be transferred through an energy conversion services arrangement or sold on a wholesale basis.

In support of its exemption request, Kinder Morgan Virginia states that the Applicant will not provide retail electric service to customers in the Commonwealth. The Applicant further explains that no utility with rates regulated under Chapter 10 has a financial or ownership interest in Kinder Morgan Virginia. Therefore, the Applicant states that no portion of the cost of the Facility will be included in the rate base of any utility subject to rate-making pursuant to Chapter 10, and that the Applicant appropriately may be exempted.

Kinder Morgan Virginia also states that the Facility will have no material adverse effect upon the rates paid by customers of any regulated public utility in the Commonwealth, or upon the

reliability of electric service provided by those utilities.²

The Applicant states that the Facility will promote the public interest by providing economic benefit to Brunswick County and the surrounding area, attracting business to the Commonwealth, enhancing the competitive market for wholesale electricity, and providing future generation capacity. Kinder Morgan Virginia represents that it is working with the Virginia Department of Environmental Quality and the U.S. Environmental Protection Agency and will minimize any adverse environmental impacts. Kinder Morgan Virginia submits that it has local community support for the Facility.

NOW THE COMMISSION, having considered the application, is of the opinion and finds that the matter should be docketed, notice of the application should be given to the public, interested persons should have an opportunity to comment, the Commission Staff should investigate Kinder Morgan Virginia's proposal and present its findings to the Commission, and a hearing should be scheduled in this matter.

Accordingly, IT IS ORDERED THAT:

² The Applicant notes that Dominion Virginia Power is conducting an impact study on the Facility's interconnection with Dominion Virginia Power's 500 kV transmission line adjacent to the site that will provide access to the transmission grid.

(1) Kinder Morgan Virginia's application for a certificate of public convenience and necessity is docketed and assigned Case No. PUE010423.

(2) Pursuant to 5 VAC 5-10-520 of the Commission's Rules of Practice and Procedure (the "Rules"), a Hearing Examiner is appointed to conduct all further proceedings in this matter.

(3) A public hearing for the purposes of receiving evidence relevant to the application is scheduled for November 7, 2001, at 10:00 a.m. in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia.

(4) Kinder Morgan Virginia shall promptly make a copy of its application and other materials available to the public who may obtain copies, at no charge, by making a request in writing from counsel for the Applicant, Donald G. Owens, Esquire, Troutman Sanders Mays & Valentine, LLP, 1111 East Main Street, Richmond, Virginia 23219. The application and other materials filed in this docket may also be reviewed during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia.

(5) On or before September 7, 2001, the Applicant shall cause the following notice to be published as display advertising (not classified) once a week for two (2) consecutive

weeks in newspapers having general circulation in Brunswick County and those counties surrounding the Facility site:

NOTICE OF AN APPLICATION OF
KINDER MORGAN VIRGINIA LLC
FOR A CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY TO CONSTRUCT AN
ELECTRIC GENERATION FACILITY IN
BRUNSWICK COUNTY, VIRGINIA
CASE NO. PUE010423

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Applicant will not provide retail electric service to customers in the Commonwealth. The Applicant further explains that no utility with rates regulated under Chapter 10 has a financial or ownership interest in Kinder Morgan Virginia. Therefore, the Applicant states that no portion of the cost of the Facility will be included in the rate base of any utility subject to rate-making pursuant to Chapter 10, and that the Applicant appropriately may be exempted.

Kinder Morgan Virginia also states that the Facility will have no material adverse effect upon the rates paid by customers of any regulated public utility in the Commonwealth, or upon the reliability of electric service provided by those utilities. The Applicant states that the Facility will promote the public interest by providing economic benefit to Brunswick County and the surrounding area, attracting business to the Commonwealth, enhancing the competitive market for wholesale electricity, and providing future generation capacity. Kinder Morgan Virginia represents that it is working with the Virginia Department of Environmental Quality and the U.S. Environmental Protection Agency and will minimize any adverse environmental impacts. Kinder Morgan Virginia submits that it has local community support for the Facility.

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LLP, 1111 East Main Street, Richmond, Virginia 23219. The application and other materials filed in this docket may also be reviewed during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. A copy of the Commission's Order establishing the proceedings, outlining details for participation, and setting forth the complete procedural schedule is available from the Commission's Web site, www.state.va.us/scc/caseinfo/orders.htm.

On or before September 28, 2001, any person or entity desiring to comment in writing on Kinder Morgan Virginia's application may do so by directing such comments to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. A copy of the same shall simultaneously be served on counsel for Kinder Morgan Virginia at the address set forth above. All comments shall refer to Case No. PUE010423. Any person or entity desiring to make a statement at the public hearing concerning the Applicant's application need only appear in the Commission's second floor courtroom in the Tyler Building at the address set forth above.

On or before September 28, 2001, any person or entity desiring to participate in this proceeding as a respondent as provided by 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure shall file an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address set forth above and shall be a party to the proceeding. All notices of participation shall contain: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent now known; and

(iii) the factual and legal basis for the action.

On or before October 5, 2001, any respondent shall file an original and fifteen (15) copies of the prepared testimony and exhibits the respondent intends to present at the hearing with the Clerk of the Commission at the address set forth above.

All comments, notices of participation, and prepared testimony and exhibits shall refer to Case No. PUE010423. Copies of the same shall be, in addition to being filed with the Clerk of the Commission, simultaneously served on counsel for Kinder Morgan Virginia at the address set forth above.

KINDER MORGAN VIRGINIA LLC

(6) On or before September 7, 2001, the Applicant shall serve a copy of its application and this order, by personal delivery or by first class-mail, postage prepaid, to: The Honorable John Paul Woodley, Jr., Secretary of Natural Resources, P.O. Box 1475, Richmond, Virginia 23218; Dennis H. Treacy, Director, Department of Environmental Quality, Post Office Box 10009, Richmond, Virginia 23240-0009; and to each investor owned and cooperative electric utility in the Commonwealth as listed in Appendix A to this Order.

(7) On or before September 28, 2001, any person or entity desiring to comment in writing on Kinder Morgan Virginia's application may do so by directing such comments to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control

Center, Post Office Box 2118, Richmond, Virginia 23218. A copy of the same shall simultaneously be served on counsel for Kinder Morgan Virginia at the address set forth in Ordering Paragraph (4) above. All comments shall refer to Case No. PUE010423. Any person desiring to make a statement at the public hearing concerning the application need only appear in the Commission's second floor courtroom in the Tyler Building at the address set forth in Ordering Paragraph (3) above.

(8) On or before September 28, 2001, any person or entity desiring to participate in this proceeding as a respondent as provided by 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure shall file an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address set forth in Ordering Paragraph (7) above and shall be a party to the proceeding. All notices of participation shall refer to Case No. PUE010423 and shall contain: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Copies of the same shall be simultaneously served on counsel for Kinder Morgan Virginia at the address set forth in Ordering Paragraph (4) above.

(9) On or before October 5, 2001, any respondent shall file an original and fifteen (15) copies of the prepared

testimony and exhibits the respondent intends to present at the hearing with the Clerk of the Commission at the address set forth in Ordering Paragraph (7) above. All prepared testimony and exhibits shall refer to Case No. PUE010423. Copies of the same shall be simultaneously served on counsel for Kinder Morgan Virginia at the address set forth in Ordering Paragraph (4) above.

(10) Commission Staff shall analyze Kinder Morgan Virginia's application and, on or before October 26, 2001, shall file with the Clerk of the Commission an original and fifteen (15) copies of the prepared testimony and exhibits the Staff intends to present at the public hearing.

(11) On or before October 31, 2001, the Applicant shall file with the Clerk of the Commission an original and fifteen (15) copies of any testimony it expects to introduce in rebuttal to any direct prefiled testimony of the Commission Staff and respondents. The Applicant also shall hand-deliver a copy of such rebuttal testimony to Commission Staff.

(12) At the commencement of the hearing scheduled herein, the Applicant shall provide to the Commission proof of the notice and service required by Ordering Paragraphs (5) and (6) herein.

(13) The Applicant and respondents shall respond to written interrogatories or data requests within five (5) days after the

receipt of such requests. Except as so modified herein, discovery and hearing preparation procedures shall be in accordance with Part IV of the revised Rules of Practice and Procedure.